S. HRG. 101-793

NOMINATION OF ANDREW C. HOVE

HEARING

BEFORE THE

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS UNITED STATES SENATE

ONE HUNDRED FIRST CONGRESS

SECOND SESSION

ON

THE NOMINATION OF

ANDREW C. HOVE, OF NEBRASKA, TO BE A MEMBER AND VICE CHAIRPERSON OF THE BOARD OF DIRECTORS OF THE FEDERAL DEPOSIT INSURANCE CORPORATION, FOR A TERM EXPIRING FEBRUARY 28, 1993 [NEW POSITION]

JUNE 29, 1990

Printed for the use of the Committee on Banking, Housing, and Urban Affairs

U.S. GOVERNMENT PRINTING OFFICE

32-232 WASHINGTON : 1990

For sale by the Superintendent of Documents, Congressional Sales Office
U.S. Government Printing Office, Washington, DC 20402

S241-49

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NOMINATION OF ANDREW C. HOVE, OF NEBRASKA, TO BE A MEMBER AND VICE CHAIRPERSON OF THE BOARD OF DIRECTORS OF THE FEDERAL DEPOSIT INSURANCE CORPORATION, FOR A TERM EXPIRING FEBRUARY 28, 1993 [NEW POSITION]

FRIDAY, JUNE 29, 1990

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, DC.

The committee met at 10:04 a.m. in room SD-538 of the Dirksen Senate Office Building, Senator Riegle (chairman of the committee) presiding.

Present: Senators Riegle, Dixon, D'Amato, Kassebaum, and Pressler.

OPENING STATEMENT OF CHAIRMAN RIEGLE

The CHAIRMAN. The committee will come to order. Let me invite our Senate colleagues and our House colleagues to join us this morning, along with our nominee.

Let me indicate as we begin the hearing this morning, for the record, that as members arrive, we will be recording their votes on favorably reporting the nomination of Joseph Schiff to be an Assistant Secretary of the Department of Housing and Urban Development. We'll begin the voting period now and it will extend until this hearing concludes, and if a quorum is established in that time, the final vote will be announced as we adjourn, and the nomination will be reported to the full Senate when it reconvenes on July 10.

This morning, we are here to consider the nomination of Andrew Hove of Nebraska to be a member of the Board of Directors of the Federal Deposit Insurance Corporation for the term expiring February 28, 1993, and also to be Vice Chairman of the FDIC Board, clearly a very important responsibility, especially at this time.

Mr. Hove and I have had the opportunity to meet and talk at some length, and so we've had a chance to review some of the issues that we'll be talking about here this morning.

By way of background, Mr. Hove has been a community banker in rural Nebraska for 30 years. He is currently the president of the Minden Exchange Bank and Trust Co., and has been with that bank for most of his career.

He points out that he has worked with a wide variety of borrowers, from individuals requesting small consumer loans to farmers and businessmen and businesswomen seeking loans to finance their operations, and also to large corporations wishing to expand or establish new enterprises. He also has a record of public service to his community and his State.

I think it speaks very well for you that you have both Senators Exon and Kerrey here, as well as Congresswoman Smith, all of whom have asked to come and make comments in your behalf.

And we very much welcome all of you and our distinguished colleagues.

Let me begin with the senior Senator. Senator Exon, we'd be pleased to hear from you now.

OPENING STATEMENT OF SENATOR EXON

Senator EXON. Mr. Chairman, thank you very much. Senator Kassebaum, we're delighted that you, as a very important member of the committee, are here.

Mr. Chairman, I've introduced several Nebraskans who have been appointed to Federal positions in my nearly 12 years now in the U.S. Senate. I come here to tell the chairman and committee that, of all of the people that I have introduced, I have never been more enthused about the prospects of significant contribution to the Federal system than I am with Andrew Skip Hove. I must call him Skip because that's what I've always known him as.

Skip Hove is, as you have indicated, Mr. Chairman, a native Nebraskan, a graduate of the University of Nebraska and a member of the Innocent Society. And before I knew him, I knew his father, who was one of the principals of the bank that he now heads in Minden, NE. The whole family have been pioneers in the banking field. And when I have someone that I can come here and enthusiastically recommend to you, Mr. Chairman, I just am delighted at the opportunity to come here this morning and say to you, the President, in my opinion, could not have selected any person with more qualifications, more experience, and more dedication to those of us who know him best, to see a problem. And certainly, he's going to see lots of them in the position that he has been nominated for.

But I have every confidence that some individual, which Mr. Hove is, who, to use a Nebraska phrase that we use quite frequently, has his head screwed on right. I believe, Mr. Chairman, he is going to be of enormous help in straightening out the extremely difficult problems that we have ahead of us.

And I want to salute the chairman of this committee that he has provided in this area, and I just want to assure you, Mr. Chairman, that with Andrew Skip Hove in the position that he's been nominated for, you and the Congress and the administration and most importantly, the people of the United States of America, I believe, are going to have new confidence that somewhere, somehow, we are going to get a handle on this most difficult problem.

So with those statements, and without going into a lot of background that has already been or will be submitted for the record, I'd just like to say, Mr. Chairman, that I hope that this will be rou-

tinely and very quickly passed out of your committee, so that we can vote on it on the floor of the U.S. Senate in the very near future, because we need Andrew Skip Hove in this position very desperately for all of the reasons that the chairman knows better than anyone else.

Thank you very much.

The CHAIRMAN. Well, thank you, Senator Exon. That's a very powerful statement you've just given us, and it has a great impact on me and on the committee that you have such strength of conviction about this nominee and that's very encouraging to hear. And I appreciate your coming over to share those thoughts with us.

Senator Kerrey.

OPENING STATEMENT OF SENATOR KERREY

Senator KERREY. Mr. Chairman and Senator Kassebaum, I appreciate, as well, the chance to just present a few brief experiences with Skip Hove.

I got to know and become friends with Skip when I was Governor of Nebraska, through a number of incidents, one that I'd like to retell for the committee. But I know him to be a fair man, I know him to be someone that you can trust, and I know him to be someone who will tell you the truth, even though the truth at times may be in conflict with his own economic interests.

We have not been political allies in many things. We were not an ally, for example, in the 1988 senatorial campaign. But we've been friends, remarkably, through it all.

And in the term that I was Governor, the incident that I would retell that I think describes the kind of individual that he is. There was a U.S. Supreme Court decision that essentially ruled that our method of taxing banks were unconstitutional, which had the effect of eliminating the tax on banks. I took the I think not very radical position that the tax on banks should be somewhat larger than zero, which put me in a position of having to propose an increase on the tax on banks. And it was a battle to get it done. And once we had determined at what rate we were going to tax the banks and reimpose that tax, as I said earlier, Skip indicated through that battle that he has the capacity to put good policy ahead of his own economic interests, and helped us to secure passage of that law.

So I just, from that one experience, have become a friend of Skip. As I said, I do trust him. We've not been political allies terribly often but we are most definitely friends. And I recommend him as highly as I possibly can for this Vice Chairman position. At a critical time, I think, I said to him when we talked yesterday, this is going to be a tough ride for him, but I believe that he'll stay on for the duration and he'll do an outstanding job in this position.

The CHAIRMAN. It looks like all the members of the FDIC are having tough rides these days. I'm thinking of Bill Seidman who had a very tough ride, himself, recently, and who we miss very much. I spoke with him by phone a couple of days ago, and I might just say that his voice sounded good, and I could tell from our discussion, that he'd been through a very difficult situation and a very painful and distressing situation. But with typical Bill Seid-

man enthusiasm and steadfastness, he was making the best of a bad situation and intends to be back at full steam as soon as he can. And so that'll be good news when he's fully able to do that.

But it obviously highlights, as well, the importance of this position just in one more dimension and the importance of Mr. Hove being able to really come on board and do a bang up job.

I appreciate what you've said, Senator Kerrey. And I think it's quite impressive to have—occasionally we will have both Senators come forward to endorse and stand with a nominee but it's not all that frequent—and to have both of you here today doing so and speaking so strongly on behalf of this nominee, I think is very important. Speaks very well for him and I know the committee will give that very important weight.

I'm going to invite you to stay or leave as you will. I want to now call on our colleague from the House, whom I'm delighted to see and who I remember from my House days. And we're delighted to have you with us today, Congresswoman Smith. And we'd very much like to hear from you now.

OPENING STATEMENT OF CONGRESSWOMAN SMITH

Representative SMITH. Thank you, Mr. Chairman, for the opportunity to share in presenting to you the nomination of my longtime friend, supporter and my advisor, Andrew Hove.

Everybody back home calls him Skip, but maybe we'll have to have a more formal salutation when he becomes, as we hope he will soon, Vice President of this very important and powerful Board of the Federal Deposit Insurance Corporation. And in so doing, he will automatically become a member of the recently created Resolution Trust Corporation.

I'm proud of Skip Hove. I'm proud of his family, proud of his bank, proud of his leadership in his town, proud of his State, and now I'm even more proud of our Nation, because we've had the wisdom of selecting him, a person that will do so much for the national good.

As I told the President, appointing Skip Hove will not just be a strength for our financial institutions, but I think that all across the board, he is definitely the best candidate that we could possibly find.

As this committee knows, Skip has very broad and deep support across Nebraska, and across the Nation. President Bush has now sent his nomination in as Vice Chairman, and the recommendation also comes from Treasury Secretary Brady, John Robson, from Agricultural Secretary Clayton Yeutter, from Nebraska Governor Kay Orr, from myself, from Congressman Doug Bereuter, and many other civic and professional and political leaders across Nebraska.

Skip Hove is endorsed, as you know, by the American Bankers Association, by the Independent Bankers Association, by the Conference of State Bank Supervisors, and by many State bank organizations.

I know the committee has the detailed background information about the nominee, and so I just want to expand on the fact that Skip is a community banker, which is what the FDIC needs most to

help make the FIRREA an effective tool for the thrift rescue operations.

Skip is chairman and executive officer of the Minden Exchange Bank and Trust Co., a State-chartered bank with $75 million in assets. He's had 30 years of experience in all aspects of bank management and operations. I think he can meet any challenge requiring competency, skill, managerial astuteness, hard work, and dependability. He has a deep appreciation for the FDIC and for the U.S. Treasury. He's a team player; he's not a prima donna.

And most of all, he has unquestioned personal integrity. You know, he ran his bank with such rectitude that back in the mid-1980's, the FDIC recommended his bank as a model to news reporters writing about FDIC regulatory enforcement.

And under his leadership, his bank grew in the mid-1980's in the midst of the most severe agricultural recession since the Great Depression of the early 1930's, and maintained a CAMEL rating of 1 or 2.

In 1983 and 1984, he was president of the Nebraska Bankers Association, which was a time of intense financial stress across Nebraska. He's not only an expert successful banker, but he's a proven civic, business, and political leader in his community as mayor, in his county and in the State.

I think having Skip on the FDIC and RTC boards makes such good sense. Most FDIC-regulated banks are community banks. I note that of the Nation's approximately 13,500 banks, about 10,000 are banks with less than $100,000 in assets.

As we all know so well under FIRREA, the RTC faces the daunting job of disposing of as many as 500 failing thrifts and some $300 billion worth of their assets. Skip is a product of the banking community which favors a strong, well defined regulatory framework. This must comprise the foundation of FDIC policy if the problems of the high-flying leveraged thrifts of certain larger banks are to be corrected and avoided in the future.

Skip Hove should be there when the Board shapes and implements new mandates emerging from the Treasury study or ordered by FIRREA on deposit insurance reform which will probably deeply affect community bankers.

In Andrew C. Hove, I assure the committee, as I assured the President and Secretary Brady, that we've brought to you, in human form, an important natural resource to help the U.S. Government get on with the mighty task of putting our financial house in order. I urge the committee to recommend that the nomination as Vice Chairman of the FDIC board, Skip Hove, be quickly confirmed.

Thank you very much.

The CHAIRMAN. Well, thank you very much, Ms. Smith. You're very good to come over today and share your thoughts with us, as well, and to give such a strong and laudatory statement on behalf of Mr. Hove. He's been about as well-blessed today, I think, by Members of the House and Senate as I can recall in a long period of time for any nominee.

Senator EXON. Mr. Chairman, if I might just add a word.

I must leave now for other duties. If you and the members of the committee and Skip Hove will excuse me, I'd just leave with these parting words. It isn't going to get any better. [Laughter.]

And I would just say to you, although I hope you will decide to hang on, if you have any second thoughts, to use phrases of ceremony that we used in the past, speak up now and decline this difficult task, or forever hold your peace.

Thank you, Mr. Chairman.

The CHAIRMAN. Before we begin I have statements from Senators Dixon and Sanford.

OPENING STATEMENT OF SENATOR DIXON

Senator DIXON. Mr. Chairman, I am pleased to be here this morning as the Senate Banking Committee considers the nomination of Andrew C. Hove to be a member of the Board of Governors of the Federal Deposit Insurance Corporation [FDIC] and to be Vice Chairman of the FDIC Board.

As we all know, the FDIC has tremendous responsibilities these days. Questions have been raised recently about the adequacy of reserves in the Bank Insurance Fund [BIF]. The Resolution Trust Corporation [RTC] has gotten off to a slow start, and recent press reports have pointed to a few scandalous incidents.

In addition, the FDIC has an important role to play in advising Congress on how to reform intelligently the deposit insurance system; on what sort of bank powers are appropriate in the 1990's; and on how to maximize consumer protections while minimizing regulatory burdens.

I am pleased to see a fellow midwesterner willing to step up to these heavy responsibilities. I value the perspective of a long-time community banker.

I trust that Mr. Hove has given some careful thought to these weighty issues before us. I trust also that he brings a strong commitment to the community reinvestment and fair lending laws, whether or not that has been part of his experience in Nebraska.

I look forward to his testimony.

OPENING STATEMENT OF SENATOR SANFORD

Senator SANFORD. Mr. Chairman, I would like to take a moment to welcome Mr. Hove here to the Banking Committee today for his nomination hearing to be a Member of the Board of Directors of the FDIC and Vice Chairperson of the FDIC Board.

Mr. Hove, you come before us at the strong recommendation of bankers across the country, as well as FDIC Chairman William Seidman. I believe that your background of 30 years in the banking industry as well as a distinguished record of community service has provided you with the necessary experience and solid grasp of banking issues to do a fine job at the FDIC.

However, I must caution you that I believe, if you are appointed to the FDIC Board of Directors, you will face extremely demanding tasks. It will take all of the banking expertise and hard work you can give to deal with the tough challenges facing the FDIC, especially the need to reevaluate our country's deposit insurance system and step up efforts to resolve the savings and loan crisis.

Each day, more and more Americans are growing outraged at the soaring costs of the thrift bailout and the impotency of the Federal Government to minimize the cost to taxpayers. I believe that Mr. Seidman has set a tremendous example with his courageous and honest efforts to expose and tackle this financial crisis, and I would recommend that, as a Member of the FDIC board, you follow his lead and work quickly and efficiently to bring this outrageous fiasco to an end.

The thrift crisis has also highlighted the need for our Government to consider deposit insurance reform. I hope that, if appointed, you will work diligently to develop effective reform proposals that will improve our deposit insurance system.

As I said before, your job will not be easy. However, I do believe you possess the qualifications to handle these difficult challenges, and I look forward to the opportunity to work with you.

The CHAIRMAN. Let me say to my colleagues that they're free to stay or go, as they wish.

And I want to inquire, Mr. Hove, do you have any members of your family here with you that you'd like to introduce to the committee?

Mr. HOVE. I do not have any members here with me.

The CHAIRMAN. I think I'm going to administer the oath to you now, before you make your statement.

Why don't you stand and raise your right hand for me, please.

[Witness sworn.]

The CHAIRMAN. We would welcome any opening comments that you'd like to make at this point, so why don't you proceed.

STATEMENT OF ANDREW C. HOVE, NOMINEE, MEMBER AND VICE CHAIRPERSON OF THE BOARD OF DIRECTORS OF THE FEDERAL DEPOSIT INSURANCE CORPORATION

Mr. HOVE. Thank you, Mr. Chairman, and members of the committee.

I thank you very much, Senator Exon and Senator Kerrey and certainly Congresswoman Smith for your very kind introductions. I'm very proud of the Nebraska delegation and I very much appreciate your support.

I'm pleased to come before the committee today. I've had the opportunity to meet with some of you this week, and look forward to working with all of the committee members in the future.

I hope the committee will agree with my supporters that I am the best man for the job. I bring with me 30 years of banking experience. At the Minden Exchange Bank and Trust Co., I served in every official capacity in the bank. I had the responsibility at one time or another for each department in the bank. After 30 years in the private sector, I look forward to the challenges facing the Federal Deposit Insurance Corporation and the Resolution Trust Corporation.

While I bring these years of banking experience, I view the job facing me to be one of the greatest challenges in my life. Again, thank you for this opportunity. I'm pleased to be here, and will answer any questions that you may have.

The CHAIRMAN. Very good. Let me cover a couple of things, right off the bat, that we talked about when we met in my office earlier.

I think the first issue that we need to be very explicit about is the issue of independence and the fact that this job, up at the very highest rank of jobs in the Government, requires a person to have absolute independence of judgment.

I think Bill Seidman, who serves as the Chairman, is a very good example of a person who brings that kind of independence and has been over his career bringing that kind of independence to the job.

I would like you to comment to the committee with respect to your intentions in that area, and give us your absolute rock solid commitment that you're going to be your own man and resist pressures from any direction. How do you feel about that point?

Mr. HOVE. Thank you very much, sir.

As I indicated to you, I feel that independence is very important in this position. I think, as Senator Kerrey mentioned and although we were adversaries at various times, I was willing to work with Senator Kerrey in the deliberations over the tax issue in Nebraska. At many times, I was at odds with my fellow bankers. But felt that there needed to be a resolution, not only to resolve the issue because of the political pressure but to resolve the issue because it was good public policy.

As I indicated to you, I'm an independent person. I'm being put in this position to make independent judgments on policy decisions, and I assure you that it's my position to continue my independence and follow through with an independent judgment.

The CHAIRMAN. With respect to the process that you went through, prior to your selection, by whom would you have been interviewed?

Mr. HOVE. I was interviewed by Deputy Secretary Treasurer John Robson. Treasury Secretary Brady was in the room for part of the interview. Under Secretary Bob Glauber. I was interviewed by Tom Needles from the Office of White House Personnel. And then by Chairman Seidman and Director C.C. Hope of the FDIC.

The CHAIRMAN. Did the issue of independence arise in any of those interviews?

Mr. HOVE. No, sir, it did not.

The CHAIRMAN. I assume there were no instances where you were asked or there was any indication that you would be expected to take any particular position on any particular issue?

Mr. HOVE. Absolutely not.

The CHAIRMAN. Very good.

With respect to the Bank Insurance Fund, I have some concerns about it, as you know, and you and I spoke about this. The Bank Insurance Fund balance is now about .7 percent of insured deposits. And that is well below the target that we have of 1.25 percent.

I'm wondering what your opinion is in terms of what kinds of circumstances do you think would require us to raise the insurance premium rates that are paid by banks for this insurance coverage?

Mr. HOVE. First of all, the insurance premiums will increase as of January 1. They move from the 12 cents that they are now, I think, to 15 cents. But in addition to that, if the fund comes under additional stress, if in fact it declines this year, then I think it's

important for the FDIC to look at, and look at this fall, the need for a premium increase. I'm certainly not advocating that, but I think if the fund comes under additional pressure, it's an issue that FDIC must consider and must resolve. Because it's imperative that we have stability in the fund. It's imperative that we maintain the confidence of the depositors in the financial industry in this country.

The CHAIRMAN. I'm pleased to hear you say that. No one wants to see these fees go up. On the other hand, we're watching the balance drop in the fund. And I'm concerned that there may be some potential situations out there that could bring additional pressure on that fund. If we were to have one or two or three major bank failures, with a figure of about $12 or $13 billion in there now, that could be whittled down pretty quickly by some multiple of billions of dollars.

Can I take it from what you've just said, that you intend to watch that particular situation very closely and if you feel that some step needs to be taken there, that you'll not only express that view but will communicate that view to this committee?

Mr. HOVE. Exactly.

The CHAIRMAN. I think it's very important that we have that understanding.

The Minden Bank, as I understand it, is a State chartered institution, is it not?

Mr. HOVE. That's correct.

The CHAIRMAN. I'm not immediately familiar with the State banking charter and the operating latitude that Nebraska would confer on a State chartered bank institution there.

As you probably know, we had a very major problem with the State chartered S&L's in terms of the catastrophe that has overtaken the S&L system. In fact, if you look at the problem over the decade with all of the different component elements, the percentage of the losses accruing to State chartered institutions in only two States, Texas and California, are by far the lion's share of all the losses in the system. Nearly 70 percent of the total losses since 1986 have come from State-chartered thrifts in just those two States. In fact, the property asset values in the RTC, the latest number they gave us, which was early June, was something on the order of 60 percent of the total dollar value of real estate assets are assets within the boundaries of the State of Texas. It's such a pronounced pattern, it's obvious that if we had not had a State chartered problem to such an extreme degree in some States, and those two particularly, that even with all the other problems during the 1980's, we would not have had anything like the catastrophic failure of the system that we've seen.

We put a stop to the State powers problem in the FIRREA legislation of last year. And we're looking and considering legislation that we will in all likelihood develop with respect to changes in the banking system as part of the whole financial modernization debate. And I fully intend to make sure that there is zero chance for a State powers problem to develop in the commercial banking system such as we saw happen in the savings and loan system.

Is your knowledge of the State chartered banking authorities throughout the 50 States sufficiently detailed to let you have an

informed view as to whether or not we may have an exposure in that area? Is there a risk profile by some State charters such that they would pose a greater risk to the Federal Deposit Insurance Fund than would be wise or that we should allow without taking a very careful look at it?

Mr. HOVE. Not right now. I'm not that familiar with all the other State bank regulations. But let me State that part of the problem with the State-chartered thrifts was a problem of supervision. It also was a problem of capital adequacy in the thrifts. And I would like to say that I'm a very strong proponent for strong supervision and a very strong proponent of adequate capital requirements for any institution, be it a savings and loan, or a bank. I think with those two items, good quality supervision and adequate capital, that the problems will not be as severe, even in State-chartered institutions, as they have been in the savings and loans.

The CHAIRMAN. I hope you're right. Ed Gray sat right in that seat where you are back in either 1985 or 1986, and he and I discussed in a colloquy in this committee that very issue of this expansion of State powers and the fact that the States were enlarging the risk profile of savings and loans, and all of that was being protected by Federal deposit insurance. So the States were off the hook. It wasn't as if they were providing the insurance for these additional activities, they were letting the Federal Government do that.

And I went into the subject with him at that time, and I suggested to him that we break the insurance system into two parts. That the Federal Government only insure those activities that the Federal Government authorizes. And if the State wants to go beyond that, in a dual banking system, whether for a savings and loan or for a commercial bank, that the State be responsible for providing the additional insurance that would cover those activities. And it should not be expected that the FDIC would cover whatever the States wanted to do in that area.

He said he'd think about it, but at the time, he was more attracted to the idea of risk-based premiums. That's an interesting concept but they were obviously never developed or put in place adequately to keep the system from blowing apart.

I am keenly interested in the question of the degree to which we could have an exposure out there with State authorized commercial bank powers. Perhaps the States where the S&L State charters were the most extreme and the most dangerous would likely be the places where the State commercial banking charters would apt to be most out of bounds in terms of their risk profile. Partly for competitive reasons and partly for the reasons of whatever caused those State legislatures and State authorities to make those decisions in one area of financial services might also have been at work in the immediately adjacent area in terms of the commercial banks.

As a person who comes out of a State-chartered banking institution, I would like to ask you to take a look, specifically, at that issue. I would suggest you look first at the States where we've seen the major problem with State chartered thrift activities that were obviously excessive. And I'd like you to determine whether we have

a risk out there now that we don't fully appreciate or understand, or a potential for that kind of risk in the future.

I think this is a key matter, especially because banks have been pressured to try to improve profitability and to attract capital, either to add capital through retained earnings, or to attract capital because of a high earnings profile. I think they've been reaching for higher yield opportunities, which normally mean higher risk opportunities.

I see a buildup in portfolio accumulations in real estate type activity, a lot of which is now under pressure and is being written down, and bridge loans for leverage buyouts, not to mention in the past Third World loans and other things. I'm concerned that we may be seeing a profile of activity out there that we have not yet managed to collect in a comprehensive manner that could present a real problem for the insurance fund in the future on the banking side.

And I don't want the public or anybody else to be surprised again by the abuse of State powers to the extent that we have found ourselves in the instant situation having created such enormous losses in the S&L system.

I just want to give you the S&L numbers because I find the numbers profound. I want you to use these figures for a reference point.

If you take the savings and loan situation, if you take the State-chartered thrifts in Texas and California, starting with 1987, State chartered thrifts in those two States in 1987 accounted for 54 percent of the total cost of the thrift resolutions across the country. So 54 percent of the total cost of the S&L crisis was found in those two States in State-chartered institutions. As high as that was, in 1988 it jumped up to 70 percent. Seventy percent of all the national losses to State-chartered institutions in just those two States.

I see my colleague from the House shaking her head because this data hasn't really been much in the news, so people don't know this. But I'll give you another one here that'll also stand your hair on end. In 1989, the percentage of the national losses from State-chartered thrifts in those two States was 62 percent, and thus far in 1990, January through April, the figure is 57 percent. This is all new information that we've just gotten from the Office of Thrift Supervision.

Those are State-chartered thrifts in just those two States. If you take State-chartered thrifts in the entire 50 States, the numbers are even higher. For example, in 1987, they accounted for 66 percent of the national losses; in 1988, they accounted for 75 percent; in 1989, 92 percent. Ninety-two percent of all the losses in the savings and loan system came from State-chartered institutions. And so far in 1990, January through April, 59 percent.

Just one other element to that, because you're going over to the RTC and you're going to have to figure out what to do about all these properties we've taken back and all these assets that have lost their value and that are now the property of the Federal Government and the American taxpayer.

As of June 12, the RTC indicated to us that they had in their possession and had taken back from failed thrifts 35,908 properties across the country. Nearly 36,000 in round numbers of individual pieces of property. Some are commercial, some are landholdings, and golf courses and single family units, whatever. The RTC estimated the book value of those properties at about $15 billion.

Now, get this. Of that total, 19,000 or 53 percent of those individual properties were in the State of Texas. So over half of them were there. And that tracks with this State powers problem that I spoke about earlier.

Then we asked them to give us the percentage of the asset value represented by those 19,000 properties. And, Ms. Smith, I'll bet this will surprise you, it surprised me. Sixty-nine percent of all of the real estate assets held by the RTC, the value of those assets is within the State of Texas, 69 percent.

So you take the State powers problem and where all this money has gone and where it now is in terms of all of the assets that were purchased but have now had this great decline in value, they're not scattered all over the country. There are dribs and drabs here and there but the lion's share is concentrated in very few places, and for a reason. It's something that we can trace back and find flowing out of this State powers issue.

I don't want to belabor it any more than that except to say this: I have a strong concern that we could have a potential liability situation in the State powers area around this country in a manner that we don't yet fully understand. And the reason we would not is it's an anomaly in the law. I don't think most people even in the Congress understood that Federal deposit insurance was automatically being extended to State-chartered activities for S&L's and banks. And that the States could broaden out the playing field and nevertheless stick the FDIC with the tab and the taxpayers with the tab. But that's exactly what happened.

So we've got to look at each of the 50 States. And I would start, if I were you, by looking at the States that had the worst savings and loan problems. And you may very well find that we've got a problem in this area. I hope not.

And I'm not only concerned about whether we have a problem today, but whether we have a problem in the next 2 or 3 years. My own view is, and I feel very strongly about it and I'm going to try to do this the next time we re-do the banking laws, and that is, I don't think the FDIC ought to be stretched out to cover State authorized activities. I think it's a mistake. And I think the S&L experience proves that. That isn't to say that we shouldn't have a dual banking system but I think if we're going to insure at the Federal level across the 50 States certain activities, then we ought to authorize the activities. And we ought to line up the activities we authorize with the insurance base that's underneath it, and the premium system that it takes to keep the system sound and solvent. And so that we can't put ourselves in the position again to have the States with the latitude to move off into a high risk profile and be able to stick the Federal Government with the tab if it goes wrong.

So I wanted to go through that with you here, because I want it clear in your mind. And you come from a background where you

can understand precisely what I'm talking about. Within a matter of a few months, I think you need to know this thing inside and out, so there's no guess work.

I've raised this with the State Banking Supervisors who've come before us. And they're very good people and they're very dedicated and so forth, and they don't want any tampering with the way things are. They like it the way it is. They like to have the latitude State by State; they like to have the FDIC underneath it all. And I can understand why they do.

But I don't think that it's good national policy to have those kinds of anomalies. You have to look no further than the S&L collapse to see what can happen if that thing spins way off out into extreme form which clearly it did there.

May I conclude this by asking you then if you will make it a point to look at that specific issue and be in a position within a few months to be able to report back to us what you found and whether or not you think there is a problem here, and how we ought to view it and what we ought to consider, if anything, doing about it.

Mr. HOVE. I'll be glad to. That'll be the first project that I'll undertake if I'm confirmed.

I don't disagree with you at all. I have had some experience in Nebraska, as they have in Ohio and Maryland, with the State insurance fund. And it's not been very successful in those three States. So I do have some concerns and reservations about State insurance funds.

The CHAIRMAN. Or at the Federal level. I mean, I think it would be fair to say where the Ohio and the Maryland State insurance systems collapsed, if you put those beside the collapse of the Federal savings and loan insurance system and they are flyspecks by comparison.

As awful as those things were, if the States want to stick their necks out to that extent and hurt themselves, I would hope they wouldn't, but our responsibility is different here. We can't afford to have anything like the catastrophe that has overtaken the collapse of the FSLIC fund and the savings and loan industry.

That's why we've just moved in the housing legislation to deal with the FHA problem. And why we're looking at all of the Government-sponsored enterprises, one by one, to get at that issue.

The State of Delaware has recently passed a law authorizing its State-chartered banks to underwrite all types of insurance nationwide. What do you think about that? Does that cause you any concern?

Mr. HOVE. Well, certainly. And I think Chairman Seidman has indicated some concern that the FDIC has about it. I think it's an area that we need to look into in Delaware as well as the other States that you've mentioned. As I indicated to you, I'm willing to take a look at the different State laws and see what risk that the fund has in those various States with the State institutions that are located there.

The CHAIRMAN. I have a concern about and I think that would fall within the purview of what I've asked you to do and you've agreed to do in terms of sizing up this problem.

Do you think that banks or thrifts, for that matter, that have not satisfied their fully phased-in capital requirements should be allowed to pay dividends?

Mr. HOVE. It's tough to answer yes or no to that. I would be hesitant to let them pay dividends. I think generally my answer would be, no. I don't think it's appropriate for a bank that has not reached their capital to pay dividends.

The CHAIRMAN. I appreciate the fact that you indicate that it's not a simple question to answer, and I didn't ask it with the thought that it was. I appreciate your response.

What do you think of the idea that the thrifts should now have parity with the banks on deposit insurance premiums? Some have suggested that.

Mr. HOVE. I think that's been suggested. I don't agree that you should cut the premiums of the thrifts down to the level of the banks. An analogy that I heard once is that it's like charging the same insurance premium to a trucker who has a bad driving record with one that has a good driving record.

It seems to me that we need to work toward a risk-based premium because there certainly are some savings and loans that are very solid and very good and operate in a very good conservative and solid manner, and they probably don't deserve to pay the premiums that they are. At the same time, there are banks that don't deserve the lower premiums because they're not operating in a prudent manner, either.

Again, it's a difficult question. The problems that we have and the loss of the funds we've had is in the FSLIC fund. And therefore, it seems to me, that until that fund comes back in some manner and we start to see some flow of the premiums from the savings and loans back into that fund, that probably there is rational for a differential in the premium rates. But I understand the logic that the premiums should be the same.

The CHAIRMAN. Let me ask you a parallel question on the issue of broker deposits. In reconstructing the S&L collapse, we can see the broker deposits being shipped around the country by large money-centered money-collectors going out to the highest competitive rate being offered by a given institution. Put an awful lot of money in places where it shouldn't have gone, all of it Federally insured, as it turns out. There's some indication that's still going on and that brokered deposits are making their way around the country now and they go into banks, go into S&L's and so forth, who are offering above market interest rates to attract that money.

Is that a concern to you? And what do we do about it, if anything?

Mr. HOVE. Broker deposits is certainly a concern, not a concern of the deposit itself or where it comes from, but what the institution uses the money for. Because the brokered deposit, if in fact it's used in a prudent manner and there's not excessive risk taken in it, is not a bad instrument to use. But, on the other side, if they're used for risk taking ventures, brokered deposits are not good. But it's not the deposit that causes the problem, it's what the money's used for.

The CHAIRMAN. What if it's used to carry out a State-chartered bank activity that has a higher risk profile? If we find out that that's attracting brokered deposits because there's a higher risk profile and an individual bank thinks it can offer a higher interest rate to attract the money, wouldn't that be a potential for problem?

Mr. HOVE. There are some regulations now that limit the growth of institutions, and brokered deposits cannot be used in an unsound or unsafe institution. Yes, it does give me cause for concern. What I was going to say before, is that we need to eliminate any incentives for those institutions to take additional risk as their net worth declines, because that's where the problem comes in. Those institutions that are seeing their net worth decline are the same institutions that are seeking the brokered deposits to continue their cash flows. And when they do that, they look for risky opportunities to invest that money in.

We need to do something that reduces the exposure of the U.S. Government and the taxpayers in this country.

The CHAIRMAN. In the area of how the whole deposit insurance system works, why shouldn't we go to a system where every person in the country could have $100,000 insured deposit amount that they could have either in one institution or spread it around, but that would be it. We would insure up to $100,000 through the Federal insurance system, per individual, and that would be it. They could not have multiples of a $100,000 scattered all over the country and have insurance of an unlimited amount.

How would you feel about that?

Mr. HOVE. Well, it's a worthy proposal, but it's a very difficult proposal to administer. Because the administration of determining of where deposits are and——

The CHAIRMAN. Well, let me tell you how you could administer it. People have to give their social security numbers for tax purposes, and you have a very healthy fine, or worse, if anybody cheats on the system. Most people that have got more than $100,000 are very careful about what they do with it, and they're smart enough to know, if they try to do something that's improper that there's a huge penalty, if they get caught, that would be a substantial disincentive.

I think you could design a system because people do have social security numbers and people do have to report their taxable income, you could probably put a very tight discipline around this in a natural fashion.

Assuming you could and that was the rule, what would you think about that as a rule?

Mr. HOVE. That's a possibility. It can cause some real disintermediation from banks into other market instruments, money market instruments. And that can create problems because it can dramatically reduce deposits at some institutions, and generally it's the smaller institutions that are going to see the disintermediation. It can put some real pressures that can increase loan to deposit ratios in a hurry.

The CHAIRMAN. Let me ask you this. Let's take your bank as an example. I don't know how many customers you have in round

numbers, but as the percentage of your total customers, how many would tend to have aggregate insured deposits about $100,000?

Mr. HOVE. I don't have exact numbers.

The CHAIRMAN. Wouldn't it be a pretty small number?

Mr. HOVE. It is a small number. But there are some. Obviously those that have over $100,000 are very interested and knowing that, they're going to have $100,000 in one institution and then put the balance of their funds at another institution.

The CHAIRMAN. My sense is that a very high percentage of the citizens of the country have savings deposit balances below $100,000.

Mr. HOVE. I agree with you.

The CHAIRMAN. It'd be nice if they had more than that, but most don't. And most don't have anything close to that. So the overwhelming majority of the American people, if there were $100,000 insurance limit per person, would cover them exactly as they stand today. It would be the very small number of individuals percentagewise with far more money than that which would be affected.

In terms of what they could do over and beyond the $100,000 limit, if that were put in place, as you say, they've got other investment opportunities. They also can buy Government bonds. We sell Government bonds of varying determinant lengths of maturity all the time, and those are Government insured. And so if somebody wants Government insurance on their savings, it's not hard to get it. They can walk right down here, or they can go through their local financial institutions to buy those instruments, and they've got the absolute guarantee of the Federal Government in unlimited amounts. So if somebody had $200,000, $400,000, $600,000 and they wanted Government insurance, in effect they'd get it by buying a Federal debt instrument.

So that's an avenue that would still be open, would it not?

Mr. HOVE. Exactly. And I think you're right. There aren't very many people, the percentage is small, of depositors that would have over $100,000. And your proposal certainly has some merit.

The CHAIRMAN. I appreciate the directness of your answer. I think what happened, as this whole problem comes into clearer focus, I think the whole deposit insurance system, the way it's been geared over the years, when you add on things like the brokered deposits and the State powers that really broadened out the risk profile, and so forth, piece by piece a system was built not necessarily according to an original engineering design but as the elements were added to the machinery, the machinery took on a self-destruct character. And of course there were lots of other elements. I don't mean to oversimplify it. How much supervision there is, whether the capital standards are adequate, whether you get a regional recession that comes in, whether you have honest accounting or phoney accounting, all of these things were material factors during the decade of the 1980's with respect to the savings and loan problem.

But if you've engineered the system so that it has a structural defect, it's going to, at some point in time, in all likelihood give you a catastrophic failure. You shouldn't be terribly surprised even if it's after the fact when you get it, once you go back and do the detective work and put the thing together.

I think even now that hasn't been done. Some of the stories that are being written now are attempting to try to look at this in terms of the sequence of events over the decade and it's a complicated story, and there are a lot of elements to it.

But I'm concerned now about what else we have at work that has elements of the same problem or faulty engineering design that could be setting us up for the same kind of problem. And I'm not comfortable with the level of reserves in the bank insurance system today. I think they're too low, they're dropping, they're not rising. I see some problems out on the horizon that could take some big bites out of what's left. And we have too much money resting on a very, very small and eroding margin.

What would be the total dollar value of the deposits that are out there right now that are being supported by the insurance system?

Mr. HOVE. I don't have that number.

The CHAIRMAN. I'm told that it's about $1.9 trillion for the banking system. Let's say that's approximately right, $1.9 trillion resting on, apart from the capital in the banks, and there's the question of how you value that, but underneath that bank capital, then sits the deposit insurance reserve fund right now of about $12 or $13 billion, and you've got this huge inverse pyramid of this $1.9 trillion worth of outstanding insured deposit liabilities, and this very modest and shrinking insurance base that's down to $12 or $13 billion.

You're a professional money man. You've lived this your whole life. And you have four-star credentials on this as our Senate colleagues from both parties have come and said today. Doesn't that make you uneasy?

Mr. HOVE. It does. And, again, I would repeat the strength of the banks, there's a good capital account in most of the banks that are prudently run. And that capital account is important. And I would state again that I'm a strong proponent for good capital adequacy in the banking system. And I think that's a buffer before you get to the insurance fund and needs to be a buffer before you get to the insurance fund.

The CHAIRMAN. Right. But I'm reading more and more stories about price earnings ratios for leading bank stocks being such that the dividend yields got very high. They're double digit dividend yields now on some of the major money centered banks, and in some cases, their credit ratings have been reduced. The picture that one gets, assuming the markets are rational out there that are valuing these companies through their stock value, is the financial markets are getting leery. They're getting leery in the sense that you're seeing downgrading on their debt ratings for their debt instruments for these banks, but you're also seeing their stock being devalued in the sense of a low price earnings ratio and a very high dividend yield, way off the norm for stocks as a whole these days.

One might say, looking at this, unless the market is making an irrational judgment that the market is looking pretty skeptically these days at the adequacy of bank earning power and balance sheets. Wouldn't that be a logical presumption?

Mr. HOVE. It is, yes.

The CHAIRMAN. So what I'm saying is that I'm not sure how much capital there may be out there as a real margin before you

get to the insurance fund that the citizens are backing. And as I watch the real estate values go down around the country, we just—when Chairman Seidman was unable to be here but his representative was here—we looked at the map of the United States as to how these real estate problems are moving around the country into additional States. And the northeast has been very much in the news and some other regions of the country. But I believe, as of that chart that they were illustrating, that since the last time they'd done it which was only 30 or 40 days earlier, another eight States had gone on the list as showing this erosion in real estate values, which of course was having a direct impact on how solid these values are within these respective banks around the country.

This is the problem that you've been good enough to step forward as a citizen to say you're willing to tackle and we appreciate the fact that you are. But I'm trying to get a sense as to where these dynamics are taking us so that we don't get surprised.

I don't think the oversight that was done during the 1980's was close to what it should have been in terms of understanding the build up of these problems, and that's a responsibility that has to be very widely shared by the Congress and the executive branch and the regulators and a lot of other people including the industry, who I think was largely asleep at the switch as well, the accounting profession and many others.

Having just gotten hit so hard between the eyes as we have as a country on that one, I think we have to be vigilant to an extraordinary degree to make sure that we don't fail to understand other things that may be developing that have elements of the same problem. And that's why I take the time to work through this today so that we have a clear understanding and so that we have some way of identifying areas that need that more intense look so that we really understand what's happening out there and what the risks might well be.

Let me raise a few other things with you. As I mentioned before, we're in a series of hearings in the Banking Committee on financial modernization and broadening out the permissible activities for banks. And this has been an issue that's been kicking around for many years, as you know, and brings into focus the Bank Holding Company Act, and so forth.

Do you think Congress should be granting banks additional powers? And, if so, what kinds of powers do you think would be on that list to consider giving banks?

Mr. HOVE. Banks need to be in a competitive posture so that they can compete not only nationally, but also internationally. In order to do that, some additional powers are very desirable. I'm not sure that the addition of insurance brokerage or insurance agency within a bank is going to add additional risk to the bank and in turn add additional risk to the FDIC fund. The same is true with real estate brokerage. I'm concerned about real estate development when you put that into it.

So I think that there is an opportunity to add additional powers to banks and give them an opportunity to compete more effectively both nationally and internationally, and make them more profitable, so that the concerns that you've raised about the declining profitability of banks is eliminated.

The CHAIRMAN. What do you think about putting banks into investment banking?

Mr. HOVE. I have some concerns about that because of the additional risk that you add onto it. Again, if you're talking about securities brokerage where you're not underwriting but in fact you are selling the securities, that gives the banks an opportunity to be competitive with many of their other financial competitors that are in the arena right now.

The CHAIRMAN. Do you think a bank ought to be able to set up a mutual fund, sell shares in it, one it's managing?

Mr. HOVE. That's one possibility. I wouldn't be a strong advocate for that, but I think it's possible.

The CHAIRMAN. It seems to me that, I mean, you made a differentiation on real estate that they could be a real estate broker but you wouldn't want them in the real estate business in the sense of going out and doing major development.

It seems to me, if you use that kind of logic, you might also say that it's one thing to sell mutual funds that somebody else is creating and you offer them at the retail level as a service to your customers and so forth and so on, but that maybe you shouldn't be into the business of setting up and running your own mutual fund.

Mr. HOVE. Well, again, if we're talking about all the banks, we're talking about diverse sizes of banks. We're talking about very small banks that I'm not sure have the expertise to do it and we're talking about large banks that certainly have the expertise to do it. And to blanket say that we can allow banks to do that is something that I have some concerns about. If you specifically say that there are banks that are capable of doing it, yes, there are and maybe they should be authorized to do it.

The CHAIRMAN. In response to the committee's questionnaire, you indicated that you lobbied on banking legislation as a member of the ABA. And I'm wondering if you recall on what particular bills or provisions you would have done that lobbying?

Mr. HOVE. My lobbying essentially was with the ABA Banking Leadership Conferences when they were in Washington. And we would make calls on Senators, such as you. And I'm sure you were called on by your Michigan delegation from the American Banking Association Leadership Conference. And we lobbied on bills that were in the Senate at that time. FIRREA was one of the bills that the ABA advocated. I spoke to our Senators, I spoke to our congressional Representatives on the FIRREA bill.

The CHAIRMAN. So, generally, what you're saying is that when you were involved in that, the ABA would have had a position and they might have had a sheet with various items on it that they were supporting, for or against, and you would work from that and go in and raise those issues with Members of the House and Senate. Is that the essence of it?

Mr. HOVE. That's correct.

The CHAIRMAN. I take it, then, that you don't recall any other specific provisions of bank law that you would have been lobbying on to any significant degree?

Mr. HOVE. No, there are none.

The CHAIRMAN. Do you think that there are any banks that are so big that we just can't let them fail?

Mr. HOVE. Well, too big to fail is certainly a tough issue and especially in the banking industry. It's a tough issue because if you look at the deposits of the bank that's too big to fail, you need to look at where they come from. And if in fact you let a large bank fail, you may also let a large number of small banks fail. Many of the deposits that would be impacted in the large banks that would fail might be foreign deposits. And so there are a lot of problems. There are international concerns; there are problems with the instability in the system if a big bank fails.

There are a number of proposals out there that would deal with the too big to fail. And certainly we need to look at some of those. The American Bankers Association has a proposal that in fact would do away with the too big to fail. And there are issues they certainly need to look at.

The CHAIRMAN. I'm going to yield to Senator D'Amato, but let me just pose one other question before you.

And that is, by your membership of the FDIC, of course, you also become a member of the RTC Board. And those are two tough jobs. The RTC job is quite extraordinary because it's unprecedented, in a sense. It's a problem that we've not had to deal with in that forum before.

Have you had enough briefing yet or adjacency to that to begin to have any sense of that problem and how you see it and where you see us going, that you could give us some sense of your intentions there?

Mr. HOVE. That certainly is one of the biggest problems that this country has faced and perhaps hopefully will ever face. The RTC was formed only a few short months ago. They are up and running and doing the job that has been assigned to them. It's an enormous job. I think they've announced today, or recently, that they intend to accomplish the goal that Chairman Seidman set for them, disposing of the 140 plus banks in this quarter by June 30.

They have some very dedicated people at RTC that are working very hard and very diligently to accomplish the job that has been assigned to them. They are disposing of assets, they are moving institutions out of conservatorship and resolving them in an orderly manner.

The CHAIRMAN. Of course, you know that in resolving these things, what's happening is that we're changing the ownership, transferring the good assets, if you will, in the deposit base and we're keeping the bad assets. Isn't that the essence of it?

Mr. HOVE. Well, those are the first to move, but there is a market for all of the assets. And they will be moving all the assets.

The CHAIRMAN. No, I don't dispute that. I mean, well, hopefully. We'll find out whether there's a market and where the market is. But the point is that the resolutions are resolutions where we split these entities essentially into two parts. We take the undamaged part and we move that over into new hands, and we take the damaged part and you and I get that as taxpayers and the rest of the citizens of the country.

When we talk about "resolutions," it carries with it the concept that we've gone in and solved the problem, and then we move onto the next one. The fact of the matter is, when we do a resolution, what we're doing is we're going in and changing the ownership

structure of a given institution, peeling off the undamaged part and that goes forward under a new name and new leadership. The damaged part, which is usually the lion's share of the deal, stays with the Government and goes into the RTC, and is piling up. We have this huge pile up of part of the problem that is very much unresolved.

Isn't that really an accurate description of what's taking place?

Mr. HOVE. I think so.

The CHAIRMAN. In terms of working through the damaged goods part of this thing, do you have any initial thoughts on how to approach that? Because your thinking is going to be very important on that. You know, you've had some experience, I'm sure. I don't know how much. You run a successful bank and so I don't know. It's an entirely different magnitude of scale to have to take back and recycle assets that an individual bank would take back, but you obviously had to have had some experience with that.

Do you have any kind of initial bead on that problem in terms of how we're going to start moving any significant volume of those damaged assets?

Mr. HOVE. I really don't have enough background information on it to really make a statement as to how I would do it. My experience has been working through problems similar to this in a bank and in an industry and in an economy that was stressed for some period of time. We worked through an agricultural crisis in our State that was very difficult to work through. We wound up with some assets that were tough to dispose of. We made some resolution of those assets and, fortunately for us, our economy has turned around. I think I can bring some experience that may be helpful. I hope my experience in the banking business will be helpful to the RTC.

The CHAIRMAN. Senator D'Amato?

Senator D'AMATO. Mr. Chairman, you touched a very interesting point. I don't know if the nominee, from his vantage point, really cares to get into that area, whether it would be appropriate for him, or whether or not he has an overall view of just what the problem is, the enormity. But I think the chairman has adequately set forth what we see taking place and indeed what, by way of legislation, we have mandated as the result of a no sense policy.

What I mean by "no sense," I mean a policy whereby no discretion and no judgment is exercised. If you have an institution that doesn't meet a certain criteria by a certain time or cannot, it automatically gets sent to the junk heap. It just seems to me that that falls into your hands, RTC, and that's absolutely ludicrous. It's wrong. It's dumb. And it's costing the taxpayers billions of dollars.

Mr. HOVE. Senator D'Amato, I agree with you. And I think if we can do anything, that the best institution to sell is one that's a going business. If, in fact, we can sell an institution while it's still going and still has some life in it, it's a whole lot better to sell a live institution than a dead institution.

Senator D'AMATO. Well, when we asked whether or not RTC and OTS, Office of Thrift Supervisors, needed any more latitude or discretion, Secretary Brady says, no, oh, we don't need it. I think they don't want it.

The reason they don't want it is because, if you have, in the law, an absolute obligation to undertake the sale of an institution or the closing down of that institution, with no judgment, it's much easier, much easier for the person who's operating it. It certainly is not going to guarantee—and I know the other side is, oh, well, you let these thrifts run for too long and look what too place.

The fact is that there are some institutions that may be below the capital requirement, it may take them even longer to get above it, there may be some who are induced as a result of the Federal regulators saying, take over these other ailing banks. And now we go back on our agreement where we give them 20 years or 30 years and say, you've got to attain 6 percent within a period of time.

We're going to be costing the taxpayers billions of dollars over and above what's out there, what's necessary. And if you have a bank that has demonstrated capabilities in management, why do you want to force them out? Why should we deliberately force them out? It doesn't make sense to this Senator, except it sounds good; you protect ourselves, the legislators. Because we say, oh, we're tough, we're really tough now. We've got these new standards, we're getting all these guys out.

Well, certainly we're not going to be in a position to recommend changes if the regulators aren't there to say, yes, Congress we need a little more flexibility so we can deal with these situations and save the taxpayers money. Because we can make good sound business judgments, there's good management here, we'll supervise, we'll see if they've got a plan. We think it makes sense.

I don't understand why there is this mentality. Although, I'll say this: The big banks, they love it. They've got a little problem now; they're writing off some loans now. But in the fullness of time, there isn't going to be anybody around, there isn't going to be any competition. So when I hear some of the representatives of some of the larger banks saying, oh, boy, they're doing exactly what they should be, getting tough and closing these guys down, I say to myself, I wonder what the other part of this, what the other part of the agenda of the quota is.

Now, maybe I'm paranoid and see these things lurking. But I suspect there's more to it than meets the eye.

So you're coming in at an incredibly interesting period of time. Certainly the changes that are undertaking are something well beyond I think anybody ever imagined, even last year.

But I'm just sorry that we don't have the courage to make the kinds of changes that may save $10, $15, $20, $30, $40 billion. I think we could even save more, instead of continuing to just have the Federal Government acquire, as the chairman indicated, properties that will go into the scrap heap, so to speak, and wait to be parceled out and get a fraction of what otherwise could be gotten, and really pile up losses that aren't necessary. So it distresses this Senator.

I'm not going to ask you to make any comment on it, one way or the other, unless you feel like doing it. And I certainly wish you good luck.

Mr. HOVE. Thank you, sir.

The CHAIRMAN. Senator D'Amato, I'm going to finish up here with one question on the Deposit Insurance System and recommen-

dations that the nominee might have for Deposit Insurance reform. But I made a reference to the echoes out of the past are so directly relevant to where we are right now. And starting out on this, I think you'll find this interesting.

This comes from an exchange we had with Ed Gray when Ed Gray was running the Federal Home Loan Bank Board back in May 1985. That would have been 6 years ago, and he would have been sitting right where you are now. And we had this exchange on the strength of the insurance fund.

And I asked him this question:

How does your insurance picture look? I know you're talking about changing the premium structure but, at the moment, how do we look in terms of the strength of our insurance cushion at this point?

And Mr. Gray responded:

Well, I think we have adequate strength in our thrift insurance system today. We want to make sure that we have strength next year and the year after and the year after that. There's been a continuing decline in the ratio of FSLIC reserves to liabilities. They are down now to 27 or 26 percent. It was about 20 when we began to reach a position where an additional premium may be required. The Board exercised its authority to increase the premium on insured institutions on a special basis. I do not believe that will be adequate. I believe there must be far more emphasis on the part of the industry and those of us at the Bank Board and you in the Congress to work together to find a way to replenish the reserves and stabilize the FSLIC, not merge it with the FDIC. [Of course, that has come to pass.] That doesn't solve any problems at all.

So, then I said this to Mr. Gray. I said:

What would you think of the idea of limiting the deposit insurance to that ratio of the assets of the institution that are under the form of federally approved activities, so that if an institution out in a State was 70:30 in terms of 70 percent of the activities being one that the Federal Government would authorize and the other 30 being additional powers granted by the State, the deposit insurance coverage in that case would be 70 percent?

In other words, there would be a sliding scale which presumably would be publicized. This is a different way of getting at your risk premium so at least the public, the depositor, could make an informed judgment. If they wanted to get into a situation where you were in broader range of State functions, perhaps the risk and the interest rate premiums being offered were higher, and the Federal Insurance was lower, then at least you would be protecting the Federal taxpayer more directly and not exposing the Federal taxpayer to a higher degree of risk in those State-offered functions.

And then Mr. Gray said:

Let me understand what you were saying. You're saying that the insurance of accounts would be less?

And then I go on to say:

You would do it on a ratio basis.

And I repeat what I said a moment ago, and then I added this:

You would do it on a ratio basis. You would say that if the assets of this institution are employed 70:30 and 70 are in Federal-type functions, that the Federal insurance, in the case of a failure, would be 70 percent. In other words, you would only insure the federally granted powers. If an institution wants to move away from that, they do so and one of the things they surrender is the element of Federal protection for that aspect of State-granted activities.

And then Chairman Garn says:

If I could interject? What you're talking about then is the 70,000 in the example you use, would be the maximum insurance they had, rather than the 100,000?

And I responded by saying:

That assumed that the bank was employing 70:30 in terms of its asset base. What I'm wondering about is how do we inform the depositor. I want to keep the Government out as much as possible, but I want the information that the risk of the Government put in a form where the public really knows what's happening and a person has a way to make an informed deposit judgment. I'm worried about the safety and soundness issue, as you are.

Mr. Gray said:

Sure. Well, in all honesty, I've not encountered this particular concept and I would like to think about that somewhat more and not make a precipitous judgment.

And it goes on. I'll give you just a little bit more of it here, and then phrase my question to you, because I would like to have a nice clean hearing record for you that we can refer to at some future date and hopefully happily.

So I said to Mr. Gray at that point:

You see, there's a real question in my mind that we are seeing a break out of more functions or higher risk functions, that are really outside the scope that the Federal Deposit Insurance was really designed to deal with.

And Mr. Gray said:

Right.

So then I said:

And it seems to me, perhaps one way to establish a fair and square discipline is to say that Federal Deposit Insurance covers those functions that the Federal Government intends for an institution to be involved in, and anything beyond that, if the State wants to grant additional powers, would be insured by the State. It seems to me we ought not to allow sort of a willy-nilly expansion of the Federal Deposit Guarantees.

So Mr. Gray then said:

Well, I would like to think about that a little bit more. But it is, in some sense, the same kind of thing that we are trying to get at in the risk premium, but it goes at it in a different way.

And I'll just conclude this little exchange with this next part, because it's sort of interesting.

So I then said, at that point:

If I may just pursue it one step further. It seems to me that if you're running a savings and loan in a more adventuresome environment and you're branching out in Arabian horses and some of the other things that you cite, the public should understand through the deposit ratio that we're getting into a situation with greater risk. But I have a hunch that the public has been sensitized now, by Ohio and Maryland, [And those are the two references you made.] to such an extent that people really want to believe and feel that the Federal Deposit Insurance is really solid as a rock, and I want it to be. Although I'm uneasy about the fact that the deposit reserves are dwindling, [which is what we now see in the Bank Fund] and we are in a situation where interest rates have come down so they're easing some of the stress on the industry, but that could be a temporary phenomenon. I think we've got to find a way to let the public better understand the risk associated with different institutions. And we can't have the Federal Government sitting here prepared to bail everybody out. I'm talking about managements that go beyond prudent balance and way beyond the scope of what the Federal law actually envisioned.

And so Mr. Gray then responds:

Let me just say that I would like to, and I assure you that I will, carefully consider this concept, which is new to me, but seems to move in the same kind of direction. Of course, as you know, we have proposed a risk premium that we believe would enable us to basically protect the fund in the same way by providing a premium commensurate with the risk of the activity involved.

And he goes on in this particular vein.

I don't want history repeating itself. And I'm chairman today, and you're going to be on the FDIC Board and what happens at a time when we're responsible for running the show imposes a special burden. And I don't want any guess work on this, on these State powers. I want to know exactly want's going on in the States and I don't care how many people it takes to figure it out. If you don't have enough people, tell us, and we'll give you the money to hire some more. But I don't want any more surprises of this kind building up out there. Because, you know, if there's something out there and because it's sort of outside of our immediate scope of vision and within the State supervision, we don't see it, and then we end up with this giant catastrophe on our hands, and enormous disillusionment, as well, that comes with it.

So this is the history that's behind you right in this hearing room with respect to these exact same issues. And so it's important that we get off on just this kind of very thorough footing with one another and with the committee as we go ahead.

Now, any recommendations for us on deposit insurance reform, as you sit here today?

Mr. HOVE. Well, none specific. I've thought a good bit about deposit insurance reform since we talked the other day. And my concept of deposit insurance reform is, first of all, we need to reduce the exposure of the Government, we need to reduce the taxpayers' exposure. We need to somehow reward good management and penalize any excessive risk-taking, which is what you've talked about here. And I pledge to you that I will work on finding out these State laws and State regulations that will add additional exposure, and I hope I'll have a dialog with you so that we can understand each other, and visit from time to time about this. And I will bring to you what I find out about the State laws. I think we need to have some market disciplines in there, and what you're proposing may bring some market disciplines. But at the same time, I don't think we want to have market disciplines that would trigger any panic, because that was the original purpose of FDIC insurance anyway.

And again, as I think I stated before, that we need to eliminate any incentives for institutions to take any more risk than necessary as their net worth declines. We talked about that as far as brokered deposits. There's a tremendous incentive for people, when their net worth is declining, to take tremendous risks to look for higher yields. We need to eliminate any kind of incentive that is there. That's a general statement on deposit insurance reform; I have no specifics, but those are the principles that I feel are important in looking at deposit insurance reform.

The CHAIRMAN. Well, that gets us started, and that's important. I think the ground we've covered today gets this issue up on the table, it gets it framed so that we can begin to work it through. I think we're going to have to make some changes in this area.

One idea that I'm thinking about is the one that I mentioned, and that is that if you stay with the $100,000 figure, every person gets one of those and that's it. And then from there on, you've got to look for other alternatives.

I also, I can't tell you how strongly I feel about the State powers issue. We put a stop to that in last year's reform legislation, and

I'll just tell you, bluntly, that I insisted that that stop, and so we've stopped it there.

But I want to know exactly where we are in that area with respect to the banking field, and without a lot of shimmying and shaking. Because when you start asking people, it's hard to get the picture into focus because there are a lot of people with a lot of vested interests that like things the way they are. And we can't afford to have a situation where we go back to the American people at some point and say, by the way, we not only missed in the savings and loan situation but we missed in the banking system, too. And I know you feel the same way.

I look forward to working with you. I think you've been very direct with the committee today. I felt you were the other day when we spoke personally. I appreciate the fact that you're willing to leave Kansas and come out here and serve. I mean—Kansas?—Nebraska.

Mr. HOVE. I won't tell Exon and Kerrey you said that. [Laughter.]

The CHAIRMAN. I was thinking of Nancy Kassebaum, who was here earlier. But your willingness to leave Nebraska and come out here to the Washington area and do a stint in public service through this term I think is a very serious step for you to take professionally and personally, and it's an act of service to your country at a very difficult time that we all appreciate.

So please convey that, also, to any members of your family who are going to be part of this odyssey with you.

Mr. HOVE. Thank you very much.

The CHAIRMAN. Very good. The committee stands in recess.

[Whereupon, at 11:34 a.m., the committee was adjourned.]

[Biographical sketch of nominee and response to written questions follow:]

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name: HOVE, JR. (LAST) ANDREW (FIRST) CHRISTIAN (OTHER)

Position to which nominated: Director, Federal Deposit Insurance Corporation Date of nomination: June 4, 1990

Date of birth: 9 (DAY) 11 (MONTH) 1934 (YEAR) Place of birth: Minden, Nebraska USA

Marital status: Married Full name of spouse: Ellan Mae (Matzke) Hove

Name and ages of children:

Catherine Diane (Hove) Breen	32
Peter Christian Hove	28
Nancy Ellan Hove	22

Education:

Institution	Dates attended	Degrees received	Dates of degrees
University of Nebraska-Lincoln	Sept. 1952 - June 1956	BS	June 1956
University of Wisconsin-Madison	Summers 1963, 64 & 65		

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships, and any other special recognitions for outstanding service or achievement.

Innocents Society (Senior Honorary) University of Nebraska

Distinguished Service Award University of Nebraska

Regents Scholarship - University of Nebraska

Memberships: List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

Organization	Office held (if any)	Dates
SEE ATTACHED LIST		

Employment record: List below all positions held since college, including the title or description of job, name of employment, location of work, and dates of inclusive employment.

(1) U.S. Navy - June 1956 - Jan. 1960 - Lt. Naval Aviator - Norfolk, VA - Pensacola, FL.

(2) Minden Exchange Bank & Trust Co., Jan. 1960 - Oct. 1961 - Cashier Minden, NE

(3) U.S. Army - Oct. 1961 - Oct. 1962 - Captain - Helicopter Pilot - San Antonio, TX - Ft. Leonard Wood, MO

(4) Minden Exchange Bank & Trust Co., Oct. 1962 - Present Each Official Position - Minden, NE

Memberships

Listed below are all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

Nebraska Bankers Association, President, 1984-85
Nebraska Bankers Ins. & Serv. Co., President, 1984-85
NBA Education & Marketing Comm., Chairman 1976-77
NBA Government Relations Comm., Chairman 1981-82
NBA Executive Council, Member 1979-87
NBA Political Action Comm., Member 1980-87
American Bankers Association, Leadership Conf., Delegate 1984-85 and 1986-88
American Bankers Association, Banking Advisor 1985-87
ABA representing Nebraska, Vice President 1988-present
Nebraska Electronic Transfer System, President 1982-83
Kansas/Nebraska Schools of Banking, President 1988-89
Minden Chamber of Commerce, President 1963
South Platte United Chambers of Commerce, President 1968-69
University of Nebraska Alumni Assn., Board Member 1978-84
University of Nebraska Foundation, Trustee 1975-present
University of Nebraska Medical Center Board of Counselors, Member 1986-present
Nebraska State College Board, Trustee 1989-present
City of Minden, Treasurer 1962-74
City of Minden, Mayor 1974-82
City of Minden Planning Commission, Member 1987-present
Nebraska League of Municipalities, President 1980-81
Nebr. United Methodist Foundation, Chairman 1986-present
Nebraska Dept. of Economic Development Nebraska Diplomats, Member 1972-present
United States Naval Academy, Blue & Gold Recruiting Officer 1983-present
Minden Airport Authority, Chairman 1963-74
AK-SAR-BEN-Omaha, Ambassador 1974-present
American Legion Post-Minden, Member

Government experience: List any experience in or direct association with Federal, State, or local governments, including any advisory, consultative, honorary or other part-time service or positions.

U.S. Military Officer; Blue & Gold Officer USNA

City Treasurer - Minden, NE; Mayor - Minden, NE

Chairman - Minden Airport Authority; Chairman

Planning Commission - Minden, NE

Trustee - Nebraska State College Board

Published writings: List the titles, publishers and dates of books, articles, reports or other published materials you have written.

NONE

Political affiliations and activities: List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

Kearney County Nebraska Chairman for Representative Virginia Smith

Third District Finance Chairman for Nebraska Republican Party

I have been a community banker in rural Nebraska for thirty years. I have worked with a wide variety of borrowers from individuals requesting small consumer loans, to farmers and businessmen seeking loans to finance their operations, and also to large corporations wishing to expand or establish new enterprises. I have also worked with the same borrowers when the loan did not work out as planned. I have been tough and I have learned when to make compromises.

I have soothed the fears of depositors who were concerned about the safety and soundness of their funds. I have seen the trauma, in other communities, of failed financial institutions.

I am proud of my record of public service to my community, my state and my industry and I think I can bring a valuable perspective to the Federal Deposit Insurance Corporation Board.

Political contributions: Itemize all political contributions of $500 or more to any individual, campaign organization, political party, political action committee or similar entity during the last eight years and identify the specific amounts, dates, and names of the recipients.

David Karnes $500.00 1988

Kay Orr $500.00 1990

Qualifications: State fully your qualifications to serve in the position to which you have been named. (attach sheet)

SEE ATTACHED

Future employment relationships:

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

I will sever all connections with present employer

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

NONE

3. Has anybody made you a commitment to a job after you leave government?

NO

4. Do you expect to serve the full term for which you have been appointed?

YES

Potential conflicts of interest:

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

I have a deferred compensation plan from Minden Exchange Bank and Trust Company that will not become effective until I am age 65 (11-9-99)

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

None - because upon confirmation all bank stock will be sold

3. Describe any business relationship, dealing or financial transaction (other than tax-paying) which you have had during the last 10 years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

NONE

4. List any lobbying activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.

I have lobbied for Banking Legislation as a member of the American Bankers Association.

5. Explain how you will resolve any potential conflict of interest that may be disclosed by your responses to the above items.

I will sever all connections with American Bankers Association and all other Banking or Thrift Trade Associations

Civil, criminal and investigatory actions:

1. Give the full details of any civil or criminal proceeding in which you were a defendant or any inquiry or investigation by a Federal, State, or local agency in which you were the subject of the inquiry or investigation.

I was a defendent in a civil lawsuit which a former customer brought against me and the bank. She claimed I had caused her to lose her job. The suit was filed in Kearney County District Court in April 1985 and dismissed in March 1988

2. Give the full details of any proceeding, inquiry or investigation by any professional association including any bar association in which you were the subject of the proceeding, inquiry or investigation.

NONE

QUESTIONS FOR THE NOMINATION HEARING OF ANDREW HOVE
JUNE 29, 1990
FROM SENATOR TERRY SANFORD

1. Over the next year, Congress and the Administration will begin working on reform of our deposit insurance system. One suggestion has been to lower the deposit insurance limit. However, critics of this idea believe that such a change would result in a massive outflow of money from smaller banking institutions into the large banks because of the "too big to fail" ideology. Do you think this is valid criticism? Do you accept the theory of "too big to fail"?

The concept of some banks being "too big to fail" came into prominence with the 1984 assistance package arranged for Continental Illinois National Bank and Trust Company. A number of considerations militated against allowing Continental to fail. For one thing, the FDIC at that time was not logistically ready to handle such a large payout. Also, there was considerable apprehension about the impact of a Continental failure on domestic and international financial markets.

The actions of the U.S. bank regulators in the Continental case and in a number of subsequent cases involving large, troubled institutions have been widely interpreted as the product of a "too big to fail" policy. It bears emphasizing, however, that there is no such explicit policy. Continental and subsequent cases need to be put in the context of the FDIC's long-standing preference of handling troubled bank situations in the most expeditious, least disruptive way possible.

Unfortunately, this preference has meant that uninsured depositors in very small banks sometimes bear greater risk of loss than those in large banks. Under current law, the FDIC must determine that protecting uninsured depositors

is cost-effective in failure resolutions or that factors exist that make it essential to protect uninsured depositors. Costs to the insurance fund will not be reduced by scaling back insurance coverage unless there is a willingness to inflict substantial losses on depositors in larger banks. This is because the bulk of the FDIC's costs have been incurred in large bank failures.

The pros and cons of inflicting substantial losses on depositors in larger banks need to be debated. Numerous complex problems must be resolved before the "too big to fail" doctrine could be formally renounced. For example, no one really knows what would happen if a large bank were allowed to default on deposit obligations with no backup system. Providing some form of emergency or backup ability to handle potential system collapse seems only prudent. In addition, much thought needs to be given to international competitive considerations if the U.S. were to become the only industrialized economy without a "too big to fail" doctrine.

Absent any changes in the way that the FDIC handles failed banks, lowering the deposit insurance limit could have a decided effect on depositor behavior. The rational depositor would have an incentive to pull out his or her funds from a small institution and redeposit them in a large institution, particularly in the wake of publicity that would accompany a significant lowering of the deposit insurance limit. While a mass panic would be unlikely to ensue, deposit outflows probably would occur. Consequently, public policymakers should give thought to macroeconomic stability ramifications when debating the merits of lowering the deposit insurance limit.

2. If the government does decrease the limit on deposit insurance, what effect do you believe this would have on our competition vis-a-vis Japanese and European banks?

Most countries follow policies that afford de facto or de jure 100 percent guarantees to bank depositors. Absent some type of international agreement or accord that would limit the application of the "too big to fail" doctrine, a unilateral decision by the U.S. Congress to significantly reduce depositor protection could have international competitive ramifications for U.S. banks.

3. The cost of the savings and loan crisis continues to escalate. In light of this what steps can the FDIC take to minimize the costs to taxpayers? How can the FDIC and the RTC work to move the process more quickly?

Progress to date on the savings and loan cleanup has served to underscore one fundamental point. RTC losses--which translate into costs for the American taxpayer--can only be stemmed by the swift sale of all its property to private-sector buyers. And, just like most other merchandise, the longer S&Ls' assets sit on the shelf, the more they deteriorate.

Simply closing down an institution, selling the deposits and, if possible, some of the more easily saleable assets, does not stop losses. The only way losses can be stanched is if the assets--both good or impaired--are sold. The FDIC and the RTC are

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reviewing and then implementing any and all sales and marketing strategies consistent with achieving this goal.

RESPONSES TO QUESTIONS FROM SENATOR RIEGLE
RESULTING FROM JUNE 29, 1990
CONFIRMATION HEARING OF ANDREW HOVE

1. A director of the FDIC is not only responsible for the Bank Insurance Fund, but is also responsible for the Savings Association Insurance Fund which insures savings associations, the Resolution Trust Corporation which disposes of failing thrifts, and the FSLIC Resolution Fund that manages the assets and liabilities of thrifts that failed before January 1, 1989. The management of the FSLIC Resolution Fund (FRF) has the lowest profile of the FDIC's tasks, but is nonetheless very significant.

There are a number of things that indicate the potential for a management problem at the FSLIC Resolution Fund. In a response to a recent inquiry from Committee staff concerning the FRF's performing loan portfolio the FDIC wrote:

> "We are unable to provide anything more than a reasonable approximation of the single family residential loan component of the FSLIC's reported $1.5 billion performing loan portfolio. Perhaps as much as 75-80% may be SFR loans. This portfolio is not presently with one or a small number of servicers or service bureaus, making it difficult to be precise."

The RTC has a full time manager, David Cooke, but my understanding is that there is no counterpart for Mr. Cooke at the FDIC who has complete responsibility for both the assets and liabilities of the FRF. Further, the FRF has approximately $20 billion in outstanding notes, that are paying significantly above Treasury rates. An FDIC staff memo indicates that most of those notes, according to their own terms, can be prepaid by the FDIC. Each day those notes are not repaid results in additional costs to the taxpayer.

Given the GAO's estimate that the FRF's total liabilities amount to $68 billion, I am concerned about the FDIC's attention to the FRF. If you are confirmed, will you investigate these issues and report back to this Committee by the end of September?

A.1. I am aware that FIRREA provided that the FDIC manage the FSLIC Resolution Fund and that upon enactment of FIRREA, the FDIC created the Division of FSLIC Operations to manage the guarantees and obligations of the former FSLIC. Quality management of the FRF is critical since U.S. tax dollars are required to make up any shortfall in the fund. Because I share your desire to ensure that the FRF be managed in a manner which reduces the need for appropriated funds, I will review the organizational structure and procedures for FDIC management of the FRF and, if necessary, will recommend appropriate action to the Board. As you know, the RTC review of the 1988 deals should be completed by that time. Obviously, the outcome and recommendations of the RTC review will pose some very difficult policy questions for the FDIC, the Administration and Congress.

2. I would like to know the degree to which state chartered banks have powers that may cause the same sort of losses that occurred in the thrift industry. I believe the first state laws that should be examined are those states in which the savings and loan problem was the worst. There may be other measures of the problem, but one starting point is the ten states with the largest unresolved thrifts in the RTC's caseload. As of May 7, 1990, those states were, in descending order of total assets: California, Texas, Arizona, Florida, Kansas, New Jersey, New York, Pennsylvania, Illinois and Oregon. If you are confirmed, will you undertake an investigation of the banking powers of those states, or any other states, to determine whether there is a significant risk, now or in the long term, to the Bank Insurance Fund?

A.2. Yes, as discussed during my confirmation hearing, I will be pleased to undertake such an investigation. In order to expedite the process, I have already requested that the FDIC staff begin compiling the requisite information.

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